

CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

United Stores Corporation

Report to Stockholders
Year Ending December 31, 1942

OFFICERS

RANDOLPH CATLIN, *President*

WALTER B. RYAN, JR., *First Vice-President*

GEORGE WATTLEY, *Secretary and Treasurer*

BOARD OF DIRECTORS

RANDOLPH CATLIN

ROBERT W. JAMESON

THOMAS H. MCINNERNEY

H. HOBART PORTER

WALTER B. RYAN, JR.

EUGENE W. STETSON

GENERAL COUNSEL

SULLIVAN & CROMWELL NEW YORK, N. Y.

AUDITORS

PRICE, WATERHOUSE & Co. NEW YORK, N. Y.

UNITED STORES CORPORATION

75 MONTGOMERY STREET

JERSEY CITY, N. J.

JANUARY 27, 1943.

To the Stockholders of

UNITED STORES CORPORATION :

There are presented herewith the following financial statements of United Stores Corporation for the year ending December 31, 1942, with report of Messrs. Price, Waterhouse & Co. thereon :

Balance Sheet

Statement of Income and Expense

Statement of Surplus

As soon as the Annual Report of McLellan Stores Company for the year ending January 31, 1943 and the Annual Report of McCrory Stores Corporation for the year ending December 31, 1942 are available, copies will be sent to the stockholders of United Stores Corporation for their information.

By order of the Board of Directors.

RANDOLPH CATLIN,

President.

The annual meeting of stockholders of United Stores Corporation will be held on May 12, 1943. Proxies for such meeting will be requested by the management, and a Proxy Statement will be sent to the stockholders, on or about April 1, 1943.

UNITED STORES CORPORATION
BALANCE SHEET—DECEMBER 31, 1942

ASSETS

CASH IN BANK AND ON HAND		\$	604,443.92
OFFICE FURNITURE AND FIXTURES, at nominal amount			1.00
INVESTMENTS:			
At cost:			
McCrory Stores Corporation (Note 1)—			
396,138 shares common stock, par \$1 (40% of total out-			
standing)	\$5,040,418.31		
McLellan Stores Company (Note 1)—			
8,322 shares 6% cumulative convertible preferred stock,			
par \$100 (27.74% of total outstanding)		4,521,099.39	
380,098½ shares common stock, par \$1 (51.84% of total			
outstanding)			
At nominal amount:			
Tobacco Products Corporation of Delaware (Note 2)—			
28,217 shares of capital stock, par \$10 (85.59% of total			
outstanding)	1.00	9,561,518.70	
			<u>\$10,165,963.62</u>

LIABILITIES

CURRENT LIABILITIES:			
Accounts payable	\$	2,762.92	
Unclaimed dividends		2,204.10	
Reserve for taxes (Note 4)		40,649.98	\$ 45,617.00

CAPITAL STOCK AND CAPITAL SURPLUS:

Capital stock:

\$6 cumulative convertible preferred stock, without par value, preferred over Class A and common as to \$115 per share plus accrued dividends on dissolution—(Note 5)—		
Authorized —101,800 shares		
Outstanding— 95,695 shares stated at \$25 per share..	\$2,392,375.00	
Note—Preferred dividends are in arrears \$12.00 per share at December 31, 1942 or a total of \$1,148,340.		

Class A stock of \$5 par value, convertible, preferred over common as to \$4.20 per annum (cumulative to the extent earned in any fiscal year) and as to \$75 per share on dissolution—(Note 5)—		
Authorized —916,000 shares		
Outstanding—915,979 shares	4,579,895.00	

Common stock of 50¢ par value—

Authorized—1,522,200 shares including 1,011,674 shares reserved for conversion of preferred and Class A stocks		
Outstanding, less 336½ shares in treasury—504,059½ shares	252,029.75	

Capital surplus, per statement attached	1,999,424.81	9,223,724.56
---	--------------	--------------

EARNED SURPLUS SINCE JANUARY 1, 1937 (see Notes 1 and 4)		896,622.06
		<u>\$10,165,963.62</u>

UNITED STORES CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1942

NOTE 1—Amounts based on quoted market prices at December 31, 1942:

McCrorry Stores Corporation:	
Common stock	\$4,654,621.50
McLellan Stores Company:	
6% preferred stock	839,481.75
Common stock	2,565,664.88
	<u>\$8,059,768.13</u>

NOTE 2—Tobacco Products Corporation of Delaware (dissolved on October 26, 1939) is being liquidated by a Receiver appointed by the Delaware Court of Chancery, and a Receiver has also been appointed by the Supreme Court of New York. Both Receivers hold only comparatively small amounts of cash and, in addition, the Delaware Receiver holds all the stock of Tobacco Products Corporation of New Jersey, which is believed to be without value. The cash held by these Receivers is subject to expenses and no more than a nominal distribution, if any, is anticipated.

The tax claim of the Government arising out of the commutation of the American Tobacco Company lease in 1935 referred to in the previous balance sheets was settled during the year. The Government asserted a deficiency against Tobacco Products Corporation of New Jersey and against United Stores Corporation as Transferee for \$3,051,085.43 plus interest; and asserted a further claim for \$4,541,315.46 plus interest against said corporations as Transferees of certain inactive subsidiaries of Tobacco Products Corporation of New Jersey. In settlement of these claims United Stores Corporation paid \$762,500 and Tobacco Products Corporation of New Jersey released its refund claim for the sum of \$725,638.27 which the Government had theretofore taken over. Other parties who were involved in these claims paid an aggregate of \$762,500 toward the settlement. In order to consummate this tax settlement, United Stores Corporation settled certain suits in which the Corporation was named a defendant so that the requisite cooperative action by Tobacco Products Corporation of New Jersey could be secured, and in connection with the settlement of these suits the Corporation received 7,373 additional shares of Tobacco Products Corporation of Delaware.

NOTE 3—The amounts paid in settlement of the tax claims as aforesaid and of the above-mentioned litigation, together with the legal fees and expenses incident thereto, aggregated \$916,848.46 and that sum has been charged to capital surplus inasmuch as the charges pertained to transactions during the period prior to January 1, 1937, from which date earned surplus of the Corporation is stated.

NOTE 4—The Corporation's Federal income tax return for 1941, as filed, reflected a profit on the sale of McCrorry Stores Corporation Preferred Stock as being substantially offset by a loss on its investment in Tobacco Products Corporation of Delaware. No provision has been made in the above balance sheet for any adjustment of the return as filed.

NOTE 5—In the opinion of counsel neither the provisions of the Corporation's certificate of incorporation nor the statutes of Delaware create restrictions upon surplus growing out of the fact that upon involuntary liquidation the preferences of the preferred and Class A stocks exceed their respective stated or par values.

The aggregate amount to which the outstanding preferred stock is entitled in liquidation is \$12,153,265 and the aggregate amount to which the outstanding Class A stock is entitled in liquidation is \$68,698,425. The aggregate amount to which the outstanding preferred stock and Class A stock are entitled in liquidation exceeds the aggregate amount of capital represented by such stocks by \$73,879,420 (which excess is greater than the sum of the aggregate amount of capital represented by the common stock and the amount of the surplus of the Corporation).

UNITED STORES CORPORATION

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDING DECEMBER 31, 1942

Income:

Dividends received	\$674,128.80
--------------------------	--------------

Expenses:

Stock transfer expense	\$10,682.13
Franchise and capital stock taxes	3,672.47
Administrative, general and legal expenses	33,955.26
	<hr/>
	48,309.86
	<hr/>
	\$625,818.94

Provision for Federal income tax	37,600.00
--	-----------

Net income for year ending December 31, 1942, carried to statement of surplus.	<hr/>
	<hr/>
	\$588,218.94

UNITED STORES CORPORATION

STATEMENT OF SURPLUS FOR THE YEAR ENDING DECEMBER 31, 1942

Capital surplus:

Balance at December 31, 1941	\$2,916,272.60
Excess of par value over cost of scrip representing 2 shares of common stock....	.67
	<u>\$2,916,273.27</u>
Payments in settlement of alleged deficiency for additional Federal income taxes assessed against the corporation as transferee of assets of subsidiary companies for 1935, of certain actions for damages involving transactions prior to 1937, and legal expenses in connection therewith (see Note 3)	916,848.46
Capital surplus at December 31, 1942, per balance sheet	<u><u>\$1,999,424.81</u></u>

Earned surplus since January 1, 1937:

Balance at December 31, 1941	\$ 878,034.14
Net income for the year ending December 31, 1942, per statement attached.....	588,218.94
Excess reserve provided in 1941 for Federal capital stock tax and other taxes....	4,538.98
	<u>\$1,470,792.06</u>
Deduct—Dividend of \$6.00 per share paid in cash on December 24, 1942 on \$6 cumulative convertible preferred stock	574,170.00
Earned surplus at December 31, 1942, per balance sheet	<u><u>\$ 896,622.06</u></u>

To the Board of Directors of

UNITED STORES CORPORATION:

We have examined the balance sheet of United Stores Corporation as at December 31, 1942, and the statements of income and expense and surplus for the year ending on that date. In connection therewith, we have examined accounting records of the Corporation and other supporting evidence, have obtained confirmation of the cash in bank, have counted the cash on hand, and have counted the securities. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included all procedures which we considered necessary.

In our opinion, except as to the matter mentioned in Note 4 on which we are unable to express an opinion, the accompanying balance sheet and related statements of income and expense and surplus present fairly the position of United Stores Corporation at December 31, 1942, and the results of its operations for the year ending on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & Co.

56 Pine Street,
New York, N. Y.
January 22, 1943.

